

## Made In The USA Makes A Comeback

### Supply-Chain Efficiencies Open New Doors For U.S. Producers

BY PETER GIANNETTI  
EDITOR-IN-CHIEF

NEW YORK— The seeds for a resurgence of U.S.-produced housewares took root about two years ago.

That's when the cost of Chinese imports began their upward creep amid rising labor costs in China, a weaker dollar to the Chinese RMB, reduced export tax rebates to Chinese factories and soaring fuel prices.

The pricing gap between comparable Chinese-made and

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### Retailers Tap Domestic Suppliers Focused On Quality, Quick Ship

BY GREG SLETER  
SENIOR MANAGING EDITOR

NEW YORK— The pendulum at retail that for years has heavily favored Chinese-made products has swung back a bit to American-made goods over the past year as buyers have opportunistically sought out merchandise manufactured domestically to allay a number of concerns ranging from product quality to inventory management.

While retailers have not heavily promoted assortments of

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### Bialetti Brews Expanded Small Electrics Collection

BY BILL MCLOUGHLIN  
EXECUTIVE EDITOR

RANCHO CUCAMONGA, CA— Bialetti U.S.A.'s recent introduction of several new electric espresso and cappuccino makers represent the company's most concerted and broad-based effort to date to enter the U.S. electrics segment.

"We think the brand is underdeveloped in the electric coffee category, particularly given its strength in stovetop espresso makers," said Charlie Wood, director/sales and marketing for Bialetti U.S.A. "Stovetop espresso is such a strong business for us, it just made sense to extend the

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### Keurig President Stacy: 'It's All About The Coffee'

BY PETER GIANNETTI  
EDITOR-IN-CHIEF

NEWTON, MA— When single-serve coffee specialist Keurig wanted someone to take its "razor/razor blade" marketing model to the next level, it turned, where else, to someone with plenty of experience in razors and razor blades.

Michelle Stacy took the helm as Keurig's president last November after 23 years with The Gillette Company as a marketing executive and global business manager.

Stacy oversees the continuation of a focused mission by Keurig and its parent, Green Mountain Coffee Roasters, to drive household penetration of the Keurig single-serve brewing system as many ways as possible, setting up a broad base for aftermarket sales of the highly profitable K-Cups, pre-dosed in a variety of

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Michelle Stacy,  
Keurig

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# Stacy Steers 'Mainstream' Surge By Keurig Single-Cup Brewers

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coffee brands and blends, as well as teas and hot chocolates.

Since Stacy's arrival, Keurig's business has continued to soar during a challenging economic period. Keurig brewers have steepened their ascent in the overall coffeemaker market. Citing NPD point-of-sale data, Keurig reported its brand accounted for the top retail dollar-producing coffeemaker of any type and three of the top five retail dollar-producing coffeemakers among retailers tracked by NPD in the category during the 12 months ending May 31, 2009.

Walmart placed the Keurig Elite brewer and a variety of K-Cups in about 3,000 stores this past spring. Green Mountain reported Keurig shipped 479,000 brewers in the second quarter of its fiscal 2009, a 148% increase over the same period last year.

Eyeing broader distribution of its brewing system in upscale and mass channels, Keurig recently announced collaborations whereby Cuisinart and Jarden's Mr. Coffee unit will develop and market coffeemakers featuring Keurig's single-serve technology. Breville already offers a premium-priced coffeemaker featuring the Keurig brewing system, and Keurig continues to widen its Keurig-branded brewer lineup to reach more price-points, more retailers and more consumers.

Stacy sat down with HOMEWORLD BUSINESS® Editor-in-Chief Peter Giannetti the day following the announcement of the Cuisinart/Keurig partnership. In the following interview, she discusses the Cuisinart partnership; Keurig's growth during an economic downturn; the breakthrough of widening K-Cup distribution in the grocery channel; and more.

**HomeWorld Business:** Why did Keurig enter the partnership with Cuisinart, slated to introduce in 2010 a co-branded coffeemaker marketed by Cuisinart and featuring the Keurig single-serve brewing system.

**Michelle Stacy:** This is a chance to put our system alongside another brand with tremendous strength in the marketplace.

**HWB:** Keurig benefits directly from all coffeemakers sold featuring its brewing system, regardless of the appliance brand,

because they all drive the K-Cup aftermarket. Nonetheless, are you developing a retail distribution strategy that would minimize potential head-to-head competition on the shelves between Keurig brewers and brewers from other brands using the Keurig system?

**MS:** The Cuisinart machine will be additive. The brand has its own established set of aesthetics, and it appeals to a unique set of consumers. This will bring more validity to our brand and system.

The Cuisinart machine will allow the Keurig brewing system to become even more

holds, apartment dwellers and people with smaller kitchens. The Mini also is ideal for dorms. There are also some people who might use two Keurig brewers in their homes: the Platinum in the kitchen and the Mini in a home office or rec room. Again, we view it as additive. It gives the Keurig brand a bigger profile in the retail environment.

**HWB:** Are there new Keurig brewers on the horizon? What about additional partnerships with established small appliance brands? (Note: this interview was conducted before Keurig announced its Mr. Coffee partnership.)

Coffee, how much of an influence does the parent company have on Keurig?

**MS:** We work hand in hand with our parent company and roaster partners. Green Mountain doesn't just pay close attention to the quality of the coffee. It also has a responsibility to the communities that roast coffee for K-Cups. You can get behind a company with a commitment to tree-to-cup programs and fair-traded coffee under several strong brands, including Green Mountain, Newman's Own and Tully's. The concept of choice is not just to offer consumers a choice between bold or light roast, but also to offer them a variety of high-quality, fair-traded coffee blends.

**HWB:** How did Gillette prepare you for Keurig? What surprised you about the Keurig business?

**MS:** When I was in the razor business, I learned how passionate men can be about the blades they put to their faces. What I was totally surprised by here was how much more passionate consumers are about their Keurig coffee brewers. It fulfills consumer needs on so many levels—great coffee in 30 seconds; the ability to choose whatever type of coffee they want when they want it; alleviating their concerns about cleanliness. And there's the freshness aspect. Because coffee in a sealed K-Cup is not exposed to air, it remains perfectly fresh until the moment it goes into the coffee machine.

**HWB:** A K-Cup, at an average of around 50 cents per serving, is more expensive on a per-serving basis compared to most loose ground coffees. This clearly hasn't slowed the growth of Keurig during the economic downturn? Why?

**MS:** In this economic environment, consumers might choose not to go to their local coffee shops for a premium coffee beverage as often. The Keurig system delivers a premium cup of coffee, choice and freshness, all in the convenience of their homes at a significant savings. Plus, trading up from a 10-cent cup of drip coffee to a 50-cent cup is a relatively affordable indulgence for many consumers.

**HWB:** Considering the breadth of Keurig brewers and K-Cup varieties, along with distribution of the machines and

coffee across the small appliance retail landscape, what are you doing to drive sell-through?

**MS:** We are very focused on building consumer awareness and demand for the Keurig-brewed system. We've seen immediate lifts from consumer ads, with the majority of our spending on TV. We support that with in-store demo programs, plus PR and special events.

**HWB:** Having established the base for Keurig systems and K-Cups in department store, specialty and mass housewares channels, K-Cup sales to the grocery channel are starting to gain at a faster clip. Discuss the potential impact of increased K-Cup grocery distribution on Keurig's overall marketing development.

**MS:** As we get household penetration of brewers at levels that generate increased K-Cup demand, and as we bring more K-Cups into grocery distribution, where the consumer is most familiar with buying coffee, people will get even more comfortable with the brand and brewing system. That will lead people to retailers that offer a variety of brewers. Grocery K-Cup distribution will fuel sales for retailers that not only carry the brewers but also a broader selection of the K-Cups. It's a nice synergistic circle.

This underscores the value of the Keurig marketing model across many retail channels. For housewares, it's a new, incremental selling opportunity for coffee. For the grocer, it's an incremental profit opportunity from selling K-Cups at 50 cents to the consumer versus 10 cents a cup. There are not many categories that generate that kind of incremental profit.

**HWB:** While the K-Cup program includes several teas and hot chocolate blends, Keurig has focused its marketing strategy on cementing the brand's identity around coffee. Are you at a point in Keurig's brand development where you expect to more actively promote the system's versatility beyond coffee without diluting its primary image?

**MS:** We are always looking at expanding the way consumers can utilize the Keurig brewers to prepare beverage for other times of the day. For example, we recently introduced Cafe Escapes premium hot chocolate blends that are sold online now and going to retail soon. And we are launching (in July) Celestial Perfect Iced Teas blended with organic flavors that are released by the hot water.



*"Having the appliance and the coffee residing in the same company results in perfect match-ups between the brewing system and the way coffee is developed for the K-Cups."*

—Michelle Stacy  
Keurig

mainstream. When you only have one brand to choose from, it's hard to be mainstream. This allows people who might be on the fence regarding single-cup coffee to enter the segment with even more confidence.

We win either way. This has been a razor/razor blade model right from the start. Everything we're doing is to drive household penetration of the Keurig-brewed system.

**HWB:** The lineup of Keurig-branded brewers has been extended to hit a broader price-point range, most recently with the Keurig Mini that retails for about \$79. How do you manage differentiation among the Keurig-branded machines?

**MS:** The Mini has a very different appeal than the full-sized, full-featured Keurig models. It appeals to single-person house-

**MS:** I can't discuss future developments. However, we're all about innovation, and we're always looking at what is next, how to satisfy the consumer even more and how to deliver a better-tasting cup of coffee to more consumers.

**HWB:** How advantageous is it for Keurig to manage both the appliance and coffee sides of its single-serve platform?

**MS:** It's all about the coffee. Everything we do is about delivering a phenomenal cup of coffee to the consumer every time they use the Keurig system. Having the appliance and the coffee residing in the same company results in perfect match-ups between the brewing system and the way coffee is developed for the K-Cups.

**HWB:** As a wholly owned subsidiary of Green Mountain